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Cover story: Tying into industry promotions

Sell-through programs • Effective co-op strategies

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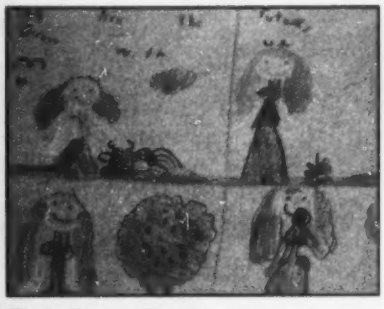

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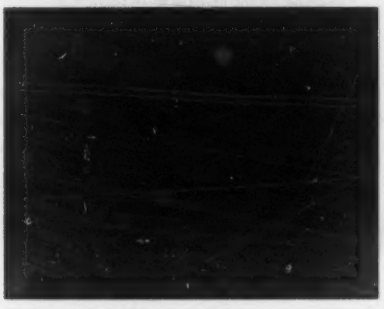

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Sell-through

On pages designated as "Sell-Through," advertisers have given *Lawn & Garden Marketing* the opportunity to outline their 1990 promotional strategies for you. These pages exemplify how manufacturers must use a variety of promotional campaigns to increase consumer awareness for their products. They include POP, newspaper, TV, radio and direct-mail campaigns. Details of national drawings and other special activities also are provided. Highlighted editorial begins on page. 6

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Cover photo courtesy of the National Junior Horticultural Assn. The drawing, done by Daniel Norden, Raleigh, N.C., was an honorable mention winner in the 8 to 10-year-old category in the 1989 national poster contest. "From the Editor" photo by Kevin Anderson.

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Did you know?

Older adults—those 55 and older—are more loyal to stores they patronize and more likely to expect/use a variety of services from stores; they are more likely to sacrifice price for locational convenience.

Source: Older Consumer Orientations Toward Marketing Activities and Responses to New Products, 1989

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Using co-op effectively

Although co-op advertising has grown tremendously in the last 20 years, it too often remains a hidden gold mine of untapped dollars that could be working for retailers.

By Judith Berzof, *editorial contributor*

Traditional co-op revenues for all industries will be about $15.2 billion for 1990, but about one-third, or more than $5 billion will go unused, according to Frank Hennessey, vice president of co-op sales for the Newspaper Advertising Bureau (NAB).

Non-traditional co-op funds for in-store promotion, merchandising and event marketing will reach about $75 billion, with retailers using much more—about 75 to 80 percent—of that money.

The value of co-op long has been apparent. (The first co-op program tried to sell women on the benefits of stainless steel stays in women's corsets in 1904.) In the 20 years that manufacturers have published their co-op programs extensively, the number of programs has grown from 300 to well over 6,000—and that's the tip of the iceberg.

"For every published program, there are probably five companies that do not have a published program but still offer co-op in a verbal program," says Hennessey. In the lawn and garden industry, he says around 500 companies have published co-op programs.

"When you take national, brand-name merchandise and combine it with local retail advertising, it works wonders," he says. Hennessey predicts strategic increases of 10 to 12 percent in local co-op advertising offered by manufacturers in 1990 at the expense of national image advertising.

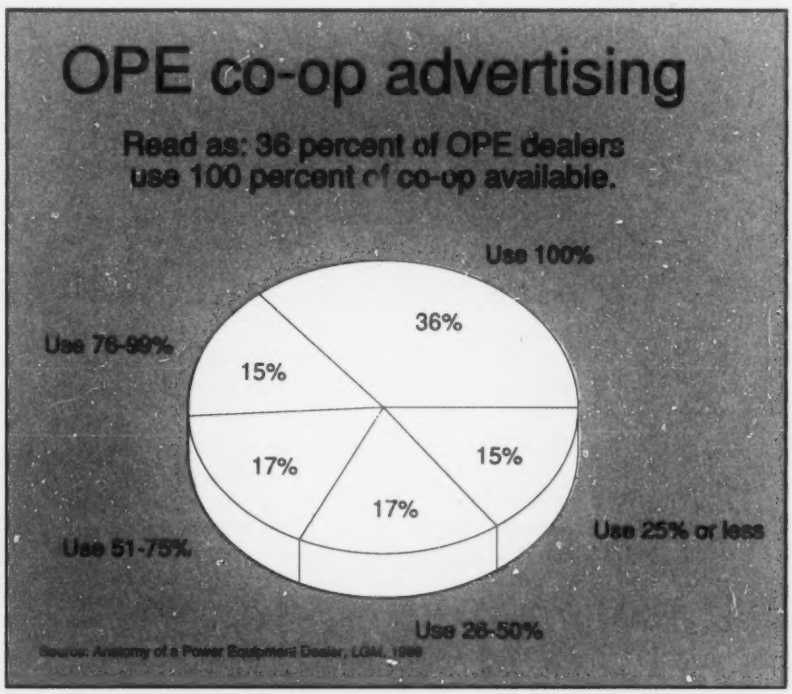
Traditional co-op advertising is actually a financial agreement between a supplier and a retailer based on the retailer's purchases. Its goal is promoting the products to create consumer awareness and stimulate sales.

Strategic increases of 10 to 12 percent in local co-op advertising offered by manufacturers will occur in 1990 at the expense of national image advertising.

—Frank Hennessey, NAB

There are various plans, including 50-50 programs in which a manufacturer matches the amount a retailer puts up for an ad dollar for dollar. Other programs are tied to an "accrual," which puts away a percentage of money from a retailer's purchases in an advertising fund that retailers can use to pay for ads.

In the lawn and garden industry, a 5 percent accrual is common. However, the co-op program might be much more attractive for special, new product line promotions. In specific cases, the manufacturer could pay 75 or even 100 percent of the ad, based on a 2 to 5 percent accrual, according to Larry D. Stewart, co-op advertising manager of *The Courier-Journal* newspaper in Louisville, Ky.



Too good to pass up

Retailers often don't use co-op, however, because of the time-consuming paperwork that is involved in tracking accrual percentages, participation percentages, certain manufacturer stipulations and billing procedures.

Yet, co-op-funded advertisements are too valuable to be ignored in today's

competitive retail environment. Many shrewd retailers are taming co-op through manual or computerized programs and are placing a priority on availability of co-op when making buying decisions.

Scott Link, manager of Link's Outdoor Power Equipment in Louisville, Ky., prefers to buy only from manufacturers who offer 50-50 co-op plans. In fact, such participation is practically essential before the store agrees to take on a particular product line. "It's in the top five considerations," he says.

Link estimates that the store spends close to 5 percent of its gross sales on advertising a year, and 75 percent of the advertising has a co-op base. The rest goes for direct mail.

Link has found that a radio spot he runs from December through February that touts lawnmower tune-ups qualifies for co-op money because he tacks a commercial for a brand-name product onto the ad.

Link learned how to use co-op effectively during a five-year stint with Midwest Equipment and Supply Co., a Snapper and Echo distributorship for Indiana and Kentucky. Link's father, Titus, worked for Midwest for 15 years selling outdoor power equipment. When the two started their own retail store three years ago, co-op was a top priority in product-line planning.

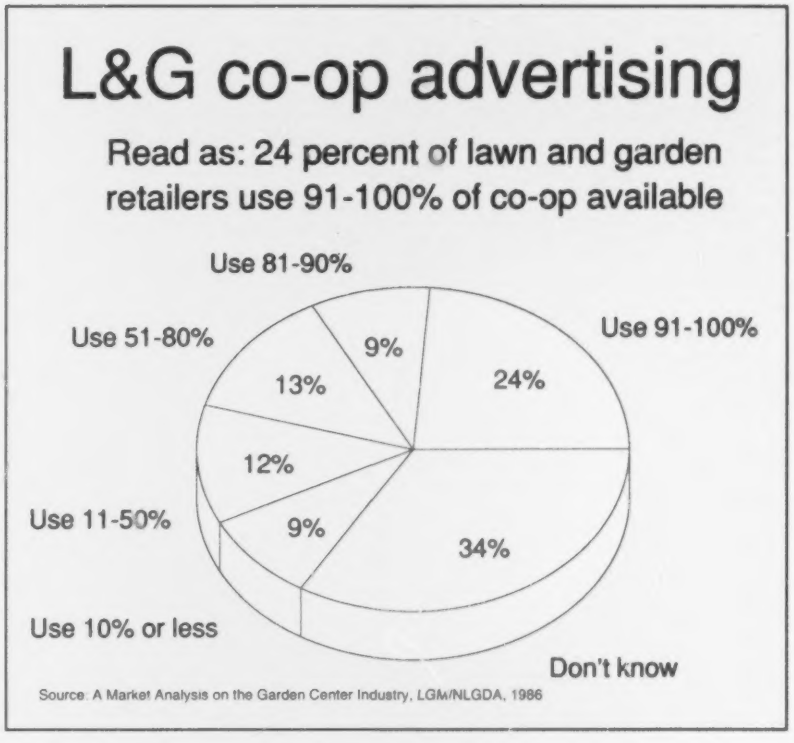
Randy Hargrave, co-op advertising manager of the *Virginia Pilot/Ledger Star* newspapers, owns two retail businesses and also puts a priority on co-op when making buying decisions. "Although a product may cost $1 or $2 more, I will purchase from those suppliers who help with promotions," says Hargrave.

Increasingly, newspapers are streamlining claims processing for co-op, often providing retailers with the required tear sheets, claim forms and bill copies to send to suppliers for reimbursement or submitting claims themselves, says Hargrave, president of NACON, a national association that provides co-op help.

Co-op long has been important to Midwest Equipment and Supply Co., Evansville, Ind., accounting for 95 percent of the advertising placed by Dan Ausenbaugh, manager of the in-house advertising agency. Under routine plans, a manufacturer will pay for 50 percent of the advertising costs, Midwest will kick in 25 percent, and the dealer will pick up the final 25 percent.

"There's a partnership when an item is sitting in a retail shop. We're a partner and so is the manufacturer. It's the responsibility of all three of us to make sure the consumer gets the proper product and is satisfied," says Ausenbaugh.

Since 80 percent of the walk-behind mower market, for example, is repeat business, Midwest banks on advertising to create an image of brand-name quality in the user's mind. And that takes money, says Ausenbaugh. Campaigns are developed for particular market areas. Part of a Midwest promotion last spring splashed Snapper products on almost 60 billboards in Louisville, while a radio campaign touted them in the Fort Wayne, Ind., market.



"Co-op has always been important, and it will continue to be even more important as the retail environment becomes more and more competitive."

—Doug Hoff, Anderson's

Those taking a closer look at the benefits of co-op include Chicago-based Cotter & Co., the wholesaling group for independent True Value stores. The company began offering co-op plans on its private label program during the past year and a half.

Bob Taylor, president of True Value Home Centers of Tidewater, Va., expects co-op to increase from 15 percent of his ad budget in 1988 to 18 percent in 1990. "We advertise a lot of private label products, and in the past we had to bite the bullet and pay for the ads," says Taylor.

Co-op, however, doesn't necessarily dictate advertising strategy at his stores, Taylor says. "If that product doesn't fit our mix or fit into plans for seasonality, we won't advertise just because co-op money is available."

Finding help

Increasingly, there is help available for dealers who have been burned using co-op in the past, or who simply don't have time to keep track of accruals or manufacturer stipulations on the use of co-op.

Such aid may be at hand at a local newspaper office. About 64 percent of all

continued...

Coop...continued

co-op dollars spent nationally are spent in newspapers, according to the NAB.

"The number one problem is the excessive paperwork. The solution is to let the newspapers do all of that for you," says Hennessey. The NAB offers a free kit called Retail Co-op Recovery, which includes a program that helps retailers find, use and collect co-op dollars. For details, write to NAB, 400 N. Michigan Ave., Chicago, IL 60611.

"Retailers are only using what they are familiar with," says Stewart. "The ones who say they don't need help usually need it the most. There is a lot of co-op sitting on their shelves, although it may be on low ticket items," he says. Although these may not be products that are commonly purchased, a retailer could tap that money to publicize his store.

"The main thing is to get organized and be on top of what's going on so you are not geared for failure," says Jane Denny, vice president of Select Media, a software publisher in Minneapolis that specializes in co-op advertising for retailers. "Many retailers get frustrated and get burned using co-op, perhaps because they didn't have money built up in the accrual fund to get paid for the advertisement, or because they missed deadlines for submitting the claim," says Denny.

Select Media markets a computer software program called SMILES that helps a retailer get control of co-op tracking problems. In addition to following different plans and accrual formulas offered by many manufacturers, dealers also must keep records on when a claim may be placed, when ads may run, ad measurements or stipulations on advertising with competing products.

> ***"Retailers are only using what they are familiar with. The ones who say they don't need help usually need it the most."***
>
> ***—Larry D. Stewart,***
> **The Courier-Journal**

Particularly frustrating to retailers and suppliers alike is the problem of overbilling that can occur easily if a retailer is unaware of what has built up in the accrual fund. Overbilling not only makes the retailer a less credible user in the eyes of the manufacturer, it complicates his own accounts receivable bookkeeping, says Denny.

Among those who have gotten a better handle on co-op is Anderson's in Toledo, Ohio. The company increased the number of vendors it uses co-op with by 15 percent in the two years it has used the SMILES program. Now, most claims for reimbursement under co-op plans are settled in an average of 90 days compared to 200 days before.

Even though Anderson's has increased co-op advertising, it has reduced the staff devoted to tracking co-op, resulting in a six-month return on investment.

"Co-op has always been important, and it will continue to be even more important as the retail environment becomes more and more competitive," says Doug Hoff, administrative services manager for Anderson's.

Associations also are turning to automation or outside agencies to help their members fully use co-op. The National Retail Hardware Assn. recently began offering Denny's computer program under a private label to its members as an alternative to a costly manual system. "A relatively small percentage of retailers take full advantage of co-op. The ones that do tend to be top-producing retailers. It takes time and effort, but retailers can double their advertising budgets or do better by taking advantage of co-op programs available," explains Hal Marsolais, NRHA managing director.

The American Hardware Mfrs. Assn. also is helping its members get a handle on co-op with Co-op Handling and Marketing Promotion Service. CHAMPS is managed by Advertising Technologies Inc. (ADTECH) in Indianapolis.

About 30 to 40 hardlines suppliers will use this service by April and that amount probably will double or triple by the end of the year, according to Jim Ramsey, president of ADTECH. The program will provide a single claims address and streamline paperwork for retailers submitting claims to participating suppliers.

"The main problem with co-op from a retailer's view is understanding what a manufacturer is offering in terms of money available and what the manufacturer expects. A critical element for the 1990s is bringing technological management to co-op," says Ramsey.

ADTECH offers a booklet on filing co-op claims with sample forms and recommended procedures that is available for $1 by writing P.O. Box 88501, Indianapolis, IN 46208. **—LGM**

"Protect your customers from poison ivy, the same way I protect my crews..."

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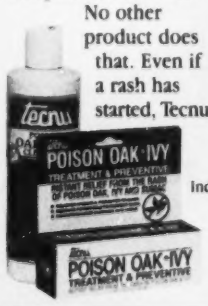

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